Inclusion and exclusion error in provision of subsidies

82. SHRI EKANATH K. THAKUR: Will the Minister of FINANCE be pleased to state:

(a) whether Government are aware that the subsidies provided in India suffer from both inclusion error and exclusion error; and

(b) whether it is a fact that in case of food subsidy, Government provides price support to only farmers of wheat and rice at a time when consumption pattern is moving away from foodgrains?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) Yes, Sir. The Report on Central Government Subsidies in India, presented to parliament on December 23, 2004, mentions that despite targeting food subsidies to the poor, since 1997, through Targeted Public Distribution System, there are inclusion and exclusion errors.

(b) Provision of food subsidy made by the Department of Food & Public Distribution, basically includes food subsidy paid to the Food Corporation of India for reimbursement of the difference between economic cost of foodgrains and their issue price and carrying cost of buffer stocks, apart from the subsidy paid on account of levy sugar and import of sugar. However, the Government announces Minimum Support Price for 24 major crops including paddy, wheat, jowar, bajra, maize, ragi, pulses, oilseeds, copra, cotton, jute, sugar cane and tobacco.

Lending by banks to farmers

83. SHRI EKANATH K. THAKUR: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that the RBI has asked all bank to increasingly lend directly to farmers and other priority sector borrowers; and

(b) whether it is also a fact that in the light of these instructions by the RBI, the investment which have already been made/to be made by banks upto March 31, 2005, in the special bonds issued by specified institutions(except NABARD) will not be eligible for classification under priority sector lending with effect from April 1, 2006 and the details thereof?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) and (b) With a view to rationalizing bank's

investment under priority sector lending and encouraging banks to increasingly lend directly to the farmers/other priority sector borrowers, RBI has advised all scheduled commercial banks (including Regional rural Banks) on 15th December, 2004. The content of the guidelines are as under:—

(i) The extant guidelines in respect of classifying the investment by banks in the bonds issued by the specified institutions, viz. State Financial Corporations (SFCs), State Industrial Development Corporations (SIDCs) Rural Electrification Corporation (REC), NABARD, SIDBI, the National Small Industries Corporation Ltd. (NSIC), NHB and HUDCO, as under priority sector lending may continue up to March, 31, 2005;

(ii) The investment that may be made by the banks on or after April 1, 2005 in the bonds issued by the specified institutions (except NABARD), i.e. REC, SFCs/SIDCs, SIDBI, NSIC, NHB and HUDCO shall not be eligible for classification under priority sector lending;

(iii) The investments, which have already been made by banks upto March 31, 2005, in the special bonds issued by the above specified institutions (except NABARD), shall not be eligible for classification under priority sector lending with effect from April 1, 2006; and

(iv) The investment in the special bonds issued by NABARD shall not be eligible for classification under priority sector lending with effect from April 1, 2007.

Setting up of co-operative banks

84. PROF. M.M. AGARWAL: Will the Minister of FINANCE be pleased to state:

(a) whether Government propose to set up co-operative banks in the different States of the country;

(b) if so, the details thereof, location-wise and State-wise; and

(c) the effective measures initiated by Government in this regard?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) No, Sir.